SOLAR PHILIPPINES

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **SP New Energy Corporation** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as of and for the years ended December 31, 2023 and 2022 in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Manuel V. Pangilinan
President, CEO and Chairman

Rochel Donato R. Gloria
Treasurer and CFO

Alicia G. Brion
Controller

APR 15 2024

Signed this ___ day of _______ 2024.

20th Floor Philamlife Tower, 8767 Paseo De Roxas Avenue, Makati City 1227 Philippines

+632 8 817 2585 | www.solarphilippines.ph

SOLAR PHILIPPINES

SUBSCRIBED AND SWORN to before me this APR 15 2024 _________ day of _____, 2024, affiants exhibiting to me their passport IDs, as follows:

Name	Passport	Validity period
Manuel V. Pangilinan	P9969361A	Valid until 17 Dec 2028
Rochel Donato R. Gloria	P3844177B	Valid until 13 Nov 2029
Alicia G. Brion	P8412528A	Valid until 17 Aug 2028

Doc. No. 13
Page No. 6
Book No. XXIV
Series of 2024.

ATTY. ANTONIO B. BENITO
Notary Public-Pasig City
Commission No.97(2023-2024)
709 Mega Plaza, ADB Ave.,Pasig City
Attorney's Roll No. 27614
IBP No. 393237/1/03/24/Rizal
PTR No.0173844/1/04/24/Pasig City
MCLE Compliance No. VII-0008638 April 24, 2025

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	6	2	7	3	0	0

COMPANY NAME

SP NEW ENERGY CORPORATION (FORMERLY SOLAR PHILIPPINES NUEVA ECIJA CORPORATION, A SUBSIDIARY OF MGEN RENEWABLE ENERGY, INC.)

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

112 LEGASPI STREET, LEGASPI VILLAGE, BARANGAY SAN LORENZO, MAKATI CITY 1229

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	Certificate of Permit to Offer Securities for Sale

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
spnec@solarphilippines.ph	(02) 8817-2585	(+63) 998 888 9326

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
23	First Monday of May	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Hazel Iris P. Lafuente	corsec@solarphilippines.ph	(02) 8817-2585	(+63) 917 881 6684

CONTACT PERSON's ADDRESS

20th Floor, AIA Tower (formerly Philamlife Tower), 8767 Paseo de Roxas, Makati City

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
SP New Energy Corporation
20th Floor AIA Tower
8767 Paseo de Roxas
Makati City

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of SP New Energy Corporation (the Parent Company), which comprise the parent company statements of financial position as at December 31, 2023 and 2022, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the year ended December 31, 2023 and for the period from July 1, 2022 to December 31, 2022, and notes to the parent company financial statements, including material accounting policy information.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Parent Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the year ended December 31, 2023 and for the period from July 1, 2022 to December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of the parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, management is responsible for assessing the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Parent Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulation No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulation No. 15-2010 in Note 21 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of SP New Energy Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Jhoanna Feliza C. Go.

SYCIP GORRES VELAYO & CO.

Jhoanna Feliza C. Go
Partner
CPA Certificate No. 0114122
Tax Identification No. 219-674-288
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-103-2022, November 7, 2022, valid until November 6, 2025
PTR No. 10079942, January 5, 2024, Makati City

April 12, 2024

SP NEW ENERGY CORPORATION
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 16)	**₱9,803,201,023**	₱20,375,735
Subscriptions receivable (Note 12)	**1,319,056**	651,115,661
Due from related parties (Notes 11 and 16)	**2,368,216,814**	2,424,447,563
Other current assets (Note 5)	**52,138,514**	18,588,011
Total Current Assets	**12,224,875,407**	3,114,526,970
Noncurrent Assets		
Property, plant and equipment (Notes 1 and 6)	**2,112,730,586**	1,671,233,624
Deposits for land acquisition (Note 7)	**1,550,289,326**	1,252,773,959
Investments and deposits (Note 8)	**9,204,799,112**	100,000
Deferred tax asset - net (Note 14)	**9,291,007**	10,201,126
Other noncurrent assets (Note 9)	**152,764,152**	136,395,146
Total Noncurrent Assets	**13,029,874,183**	3,070,703,855
TOTAL ASSETS	**₱25,254,749,590**	₱6,185,230,825
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other liabilities (Notes 10, 11 and 16)	**₱50,398,459**	₱42,318,071
Due to a related party (Notes 11 and 16)	**129,833,301**	22,770,229
Current portion of lease liabilities (Notes 15 and 16)	**4,490,610**	4,538,676
Total Current Liabilities	**184,722,370**	69,626,976
Noncurrent Liabilities		
Lease liabilities - net of current portion (Notes 15 and 16)	**286,519,339**	298,599,744
Total Liabilities	**471,241,709**	368,226,720
Equity (Note 12)		
Capital stock	**3,437,305,000**	1,000,000,000
Additional paid-in capital	**5,713,764,409**	4,938,722,430
Deposit for future stock subscription	**15,894,042,026**	–
Deficit	**(261,603,554)**	(121,718,325)
Total Equity	**24,783,507,881**	5,817,004,105
TOTAL LIABILITIES AND EQUITY	**₱25,254,749,590**	₱6,185,230,825

See accompanying Notes to Parent Company Financial Statements.

SP NEW ENERGY CORPORATION

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023 AND
FOR THE PERIOD FROM JULY 1, 2022 TO DECEMBER 31, 2022

	2023 (One Year)	2022 (Six Months)
INCOME		
Interest (Note 4)	**₱7,104,690**	₱2,388,263
Others (Notes 8 and 20)	**29,306,429**	–
	36,411,119	2,388,263
EXPENSES (Note 13)	**140,488,168**	38,125,342
LOSS BEFORE INCOME TAX	**104,077,049**	35,737,079
PROVISION FOR INCOME TAX (Note 14)		
Current	**6,696**	–
Deferred	**910,119**	265,138
	916,815	265,138
NET LOSS	**104,993,864**	36,002,217
OTHER COMPREHENSIVE INCOME	**–**	–
TOTAL COMPREHENSIVE LOSS	**₱104,993,864**	₱36,002,217
Basic/Diluted Loss Per Share (Note 17)	**₱0.0043**	₱0.0038

See accompanying Notes to Parent Company Financial Statements.

SP NEW ENERGY CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023 AND FOR THE PERIOD FROM JULY 1, 2022 TO DECEMBER 31, 2022

	Capital Stock	Additional Paid-in Capital	Deposit for Future Stock Subscription	Deficit	Total
Balances at January 1, 2023	₱1,000,000,000	₱4,938,722,430	₱–	(₱121,718,325)	₱5,817,004,105
Issuance of shares of stock (Note 12)	2,437,305,000	–	–	–	2,437,305,000
Stock issuance costs (Note 12)	–	–	–	(34,891,365)	(34,891,365)
Equity infusion (Note 12)	–	775,041,979	–	–	775,041,979
Deposit for future stock subscription (Note 12)	–	–	15,894,042,026	–	15,894,042,026
Total comprehensive loss for the period	–	–	–	(104,993,864)	(104,993,864)
Balances at December 31, 2023	**₱3,437,305,000**	**₱5,713,764,409**	**₱15,894,042,026**	**(₱261,603,554)**	**₱24,783,507,881**
Balances at July 1, 2022	₱812,435,001	₱2,347,338,021	₱–	(₱85,716,108)	₱3,074,056,914
Issuance of shares of stock (Note 12)	187,564,999	2,625,909,994	–	–	2,813,474,993
Stock issuance costs (Note 12)	–	(34,525,585)	–	–	(34,525,585)
Total comprehensive loss for the period	–	–	–	(36,002,217)	(36,002,217)
Balances at December 31, 2022	₱1,000,000,000	₱4,938,722,430	₱–	(₱121,718,325)	₱5,817,004,105

See accompanying Notes to Parent Company Financial Statements.

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SP NEW ENERGY CORPORATION

PARENT COMPANY STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023 AND
FOR THE PERIOD FROM JULY 1, 2022 TO DECEMBER 31, 2022

	2023 (One Year)	2022 (Six Months)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱104,077,049)**	(₱35,737,079)
Adjustments for:		
Interest accretion of lease liabilities (Notes 13 and 15)	**9,241,144**	4,532,695
Depreciation and amortization (Notes 6, 13 and 15)	**5,209,905**	2,598,033
Unrealized foreign exchange loss (gain)	**501,394**	(545,388)
Other income (Notes 8 and 20)	**(28,860,000)**	–
Interest income (Note 4)	**(7,104,690)**	(2,388,263)
Operating loss before working capital changes	**(125,089,296)**	(31,540,002)
Decrease (increase) in other current assets (Note 5)	**(33,550,504)**	2,201,377
Increase in accounts payable and other liabilities (Note 10)	**8,073,692**	29,317,811
Cash used in operations	**(150,566,108)**	(20,814)
Interest received (Note 4)	**7,104,690**	2,388,263
Net cash flows from (used in) operating activities	**(143,461,418)**	2,367,449
CASH FLOWS USED IN INVESTING ACTIVITIES		
Additional investments and deposits (Note 8)	**(9,175,839,112)**	(100,000)
Additions to:		
Property, plant and equipment (Note 6)	**(453,428,940)**	(460,808,669)
Deposits for land acquisition (Note 7)	**(297,515,367)**	(631,274,027)
Other noncurrent assets (Note 9)	**(16,369,004)**	(22,176,775)
Increase in due from related parties (Note 11)	**(197,809,251)**	(1,882,769,682)
Cash flows used in investing activities	**(10,140,961,674)**	(2,997,129,153)
CASH FLOWS FROM FINANCING ACTIVITIES		
Deposit from future stock subscription (Note 12)	**15,894,042,026**	–
Proceeds from issuance of shares of stock, net of subscriptions receivable and transaction costs (Note 12)	**2,402,413,635**	2,127,833,749
Equity infusion (Note 12)	**775,041,979**	–
Collection of subscriptions receivable	**649,796,605**	–
Increase in due to related parties (Notes 11 and 19)	**361,103,072**	–
Payment of lease liabilities (Notes 15 and 19)	**(14,647,543)**	–
Net cash flows from financing activities	**20,067,749,774**	2,127,833,749
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(501,394)**	545,388
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**9,782,825,288**	(866,382,567)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**20,375,735**	886,758,302
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Notes 4 and 16)	**₱9,803,201,023**	₱20,375,735

See accompanying Notes to Parent Company Financial Statements.

SP NEW ENERGY CORPORATION
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. **Corporate Information**

(a) Organization

SP New Energy Corporation ("SPNEC"; the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 23, 2016, primarily to engage in the construction, operation and maintenance of all types of renewable energy plants and related services. As of April 12, 2024, the Parent Company has not yet started commercial operations [see details in (b) The NE 2 Project below].

The common shares of SPNEC are listed on the Philippine Stock Exchange ("PSE") beginning December 17, 2021 and traded under the ticker, "SPNEC".

On March 27, 2023, Metro Pacific Investments Corporation ("MPIC"), a corporation organized in the Republic of the Philippines, entered into a Share Purchase Agreement with Solar Philippines Power Project Holdings, Inc. ("SP Project Holdings"), the then controlling shareholder of SPNEC, to acquire the latter's rights, title and interests in and to SPNEC equal to 1.6 billion common shares for ₱2,000.0 million (see Note 12).

Subsequently, on November 30, 2023, MGen Renewable Energy, Inc. ("MGreen") and SPNEC entered into a Subscription Agreement, whereby MGreen subscribed (i) 15.7 billion common shares with par value of ₱1.0 per share and (ii) 19.4 billion preferred shares with par value of ₱0.01 per share for a total subscription price of ₱15.9 billion (see Note 12). MGreen is a wholly-owned subsidiary of Meralco PowerGen Corporation ("MGen"), which in turn is a wholly-owned subsidiary of Manila Electric Company ("Meralco"). Meralco, MGen and MGreen are registered with the Philippine SEC. The shares of Meralco are listed in the PSE under the ticker, "MER".

As of December 31, 2023, the shares were not yet issued to MGreen pending the approval of SPNEC's increase in authorized capital stock (see Note 12).

As of April 12, 2024, SPNEC is 35.7% owned by MGreen, 37.93% owned by SP Project Holdings, and 3.2% owned by MPIC, with the balance as the public float.

(b) Sta. Rosa Nueva Ecija 2 Solar Power Project ("NE 2 Project")

SPNEC is developing a two-phase 500 MW_p ("MW_{dc}") solar power plant located in Nueva Ecija and is divided into two (2) Phases. Solar Energy Service Contract ("SESC") No. 2017-06-404 was assigned by an affiliate, Solar Philippines Commercial Rooftop Projects, Inc. ("SPCRPI") on December 29, 2017. The assignment was approved by the Department of Energy ("DOE") with the issuance of a new Certificate of Registration ("COR") and a Certificate of Confirmation of Commerciality.

The Parent Company began construction of Phase 1A on December 27, 2021 and is 56.26% complete as at December 31, 2023 (see Note 6).

(c) Change in Corporate Name and Fiscal Year

On August 8, 2022, the BOD of the Parent Company approved a resolution to amend the Articles of Incorporation and By-Laws to (1) change the corporate name from Solar Philippines Nueva Ecija Corporation to SP New Energy Corporation; and (2) change the Parent Company's fiscal year from July 1 to June 30 of each year to January 1 to December 31 of each year. This was subsequently approved by the Parent Company's stockholders on August 30, 2022.

On October 24, 2022, the SEC approved the application for amendment of the Parent Company's Articles of Incorporation and By-Laws.

The complete requirements for the change in accounting period for tax purposes were submitted to the Bureau of Internal Revenue ("BIR") on October 28, 2022. The BIR approved the change in accounting period on January 11, 2023.

(d) Principal Office Address

On April 12, 2024, the BOD approved the amendment of the Parent Company's Articles of Incorporation to change the principal office from 112 Legaspi Street, Legaspi Village, Brgy. San Lorenzo, Makati City 1229, Philippines to Rockwell Business Center, Ortigas Avenue, Brgy. Ugong, Pasig City 1604, Philippines.

(e) Authorization for the Issuance of the Parent Company Financial Statements

The parent company financial statements as of December 31, 2023 and 2022 and for the year ended December 31, 2023 and for the six-month period ended December 31, 2022 were authorized for issue by the BOD on April 12, 2024.

2. Basis of Preparation, Statement of Compliance and Summary of Material Accounting Policy Information

Basis of Preparation

The parent company financial statements have been prepared using the historical cost basis and are presented in Philippine Peso (₱), which is also the Parent Company's functional currency. All amounts are rounded to the nearest ₱, unless otherwise indicated.

The amounts presented in the parent company statements of comprehensive income, statements of changes in equity, statements of cash flows and the related notes, which are for the year ended December 31, 2023 and for the six-month period ended December 31, 2022, respectively, are not comparable due to the change of the fiscal year of the Parent Company from fiscal year beginning July 1 and ending June 30 to calendar year January 1 and ending December 31 (see Note 1).

The Parent Company issues consolidated financial statements which are prepared for the same period in compliance with Philippine Financial Reporting Standards ("PFRSs"). These may be obtained from the office of SPNEC at 112 Legaspi Street, Legaspi Village, Brgy. San Lorenzo, Makati City.

Statement of Compliance

The parent company financial statements are prepared in compliance with PFRSs as issued by the Philippine Financial Reporting Standards Council and adopted by the Philippine SEC.

New Standards, Interpretations and Amendments

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective 2023. The Parent Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the parent company financial statements.

- Amendments to Philippine Accounting Standards ("PAS") 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance.

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the parent company financial statements (and interest expense) or to the related asset component (and interest expense).

- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*

  The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

  The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development ("OECD"), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.

Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023.

Current versus Noncurrent Classification
The Parent Company presents assets and liabilities in the parent company statements of financial position based on the current/noncurrent classification. An asset is current when it is:

- expected to be realized or intended to be sold or consumed in the normal operating cycle;
- expected to be realized within twelve months after the reporting period;
- held primarily for the purpose of trading; or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity do not affect its classification.

The Parent Company classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Cash and Cash Equivalents
Cash and cash equivalents comprise of cash on hand and in banks and short-term deposits with original maturities of three (3) months or less from dates of acquisition and that are subject to insignificant risk of changes in value.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as financial assets at amortized cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit or loss ("FVPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Parent Company's business model for managing them. The Parent Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest ("SPPI")" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Parent Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Parent Company commits to purchase or sell the asset.

Subsequent Measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

Financial assets at amortized cost (debt instruments)
The Parent Company measures financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognized in the parent company statement of comprehensive income when the asset is derecognized, modified or impaired.

The Parent Company's financial assets at amortized cost include cash and cash equivalents, subscriptions receivable, due from related parties, and bonds (included under other current assets) as of December 31, 2023 and 2022 (see Notes 4, 5, 11, 12 and 16).

The Parent Company has no financial assets at FVOCI and FVPL.

<u>Financial liabilities</u>
Loans and borrowings
Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

Loans and borrowings are initially recognized at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, such loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in the parent company statements of comprehensive income when the liabilities are derecognized, as well as through the amortization process.

The Parent Company's loans and borrowings include accounts payable and other liabilities (excluding payable to government agencies), due to a related party and lease liabilities as of December 31, 2023 and 2022 (see Notes 10, 11, 15 and 16).

As of December 31, 2023 and 2022, the Parent Company has no financial liabilities at FVPL.

Derecognition of Financial Assets and Liabilities
Financial asset
A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired; or
- the Parent Company retains the right to receive cash flows from the asset, but has assumed obligation to pay them in full without material delay to a third party under a "pass-through" arrangement and either (a) the Parent Company has transferred substantially all the risks and rewards of the asset, or (b) the Parent Company has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

Where the Parent Company has transferred its right to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Parent Company's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Parent Company could be required to repay.

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the parent company statements of comprehensive income.

Impairment of Financial Assets
The Parent Company recognizes an allowance for expected credit losses ("ECLs") for all financial assets except debt instruments held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Parent Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the parent company statements of financial position, if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Parent Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Parent Company and all of the counterparties.

Fair Value Measurement
Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Parent Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Parent Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the parent company financial statements on a recurring basis, the Parent Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Parent Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation, amortization and impairment in value, if any. The initial cost of property, plant and equipment consist of the purchase price including import duties, borrowing costs (during construction period) and other costs directly attributable to bringing the assets to its working condition and location for its intended use. Cost also includes the cost of replacing part of the property, plant and equipment, and the borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Parent Company recognizes such parts as individual assets with specific useful lives, depreciation and amortization. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation and amortization of an item of property, plant and equipment begin when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation and amortization cease at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized. Leasehold improvements are amortized over the lease term or the economic life of the related asset, whichever is shorter.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

An item of property, plant and equipment, and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

The useful lives of property, plant and equipment are reviewed at each financial year-end and adjusted, prospectively, if appropriate.

Construction in progress ("CIP")

CIP represents structures under construction and is stated at cost, net of accumulated impairment losses, if any. This includes costs of construction and other direct costs. Costs also include interest on lease liability and amortization of right-of-use assets incurred during the construction period. Construction in progress is not depreciated until such time that the assets are put into operational use.

Right-of-use ("ROU") assets
ROU assets are included as part of property, plant and equipment. The Parent Company recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Parent Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term. ROU assets are subject to impairment (refer to Impairment of Nonfinancial Assets policy).

Value-Added Tax ("VAT")
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.
When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the parent company statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the parent company statement of financial position to the extent of the recoverable amount.

Investment in subsidiaries
The Parent Company's investments in subsidiaries is accounted for using the cost method of accounting. A subsidiary is an entity in which the Parent Company has control. Control is achieved when the Parent Company is exposed, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. An associate is an entity in which the Parent Company has significant influence. Significant influence is the power to participate in the financial and operating decision of the investee but is not in control or in joint control of those policies.

Investment in subsidiaries are carried in the Parent Company's statements of financial position at cost less any impairment in value. The Parent Company recognizes income from its investments when its right to receive dividends is established. An assessment of the carrying value of investments is performed when there is an indication that the investments have been impaired.

Deposits for Land Acquisition
Deposits for land acquisition pertain to non-refundable deposits and payments made in relation to the acquisition of parcels of land that are intended for future expansion and are stated at the amount paid less any impairment in value. Upon successful transfer of title to the Parent Company, the deposits for land acquisition shall be reclassified to land as part of either investment property or property, plant and equipment.

Impairment of Nonfinancial Assets
The Parent Company assesses at each reporting date whether there is an indication that these nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company estimates these nonfinancial assets' recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the

asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises. In the case of input VAT, an allowance is provided for any portion of the input VAT that cannot be claimed against output VAT or recovered as tax credit against future income tax liability.

An assessment is made at each reporting date to determine whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Parent Company makes an estimate of recoverable amount. Any previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior periods. Such reversal is recognized in the parent company statement of comprehensive income.

Capital Stock
Capital stock is measured at par value and is classified as equity for all shares of stocks issued.

Additional paid-in capital ("APIC")
When the shares of stock are sold at premium, the difference between the proceeds and the par value is credited to the APIC account.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are reduction to the APIC. If APIC is not sufficient, the excess is charged against the "Retained earnings" account.

Subscriptions Receivable
Subscriptions receivable represents unpaid portion of subscriptions and is presented as current assets when it is expected to be collected within 12 months after the financial reporting date. Otherwise, this is presented as reduction from equity.

Deposit for Future Stock Subscriptions
Deposit for future stock subscriptions represents funds received as payment for additional issuance of shares.

The Parent Company classifies a contract to deliver its additional equity instruments as a "Deposit for future stock subscriptions" if and only if, all of the following elements are present as of the reporting period:

a. the unissued authorized capital stock of the Parent Company is insufficient to cover the amount of shares indicated in the contract;
b. there is BOD's approval on the proposed increase in authorized capital stock;
c. there is stockholders' approval of the said proposed increase; and
d. the application for the approval of the proposed increase was presented for filing or has been filed with the SEC.

Retained Earnings (Deficit)
Retained earnings (deficit) represent the cumulative balance of periodic net income or loss, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When the retained earnings account has a debit balance, it is called “deficit”. A deficit is not an asset but a deduction from equity.

Leases
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

The Parent Company assesses at contract inception all arrangements to determine whether it is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Parent Company as a Lessee
The Parent Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Parent Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) *ROU assets*
Refer to ROU assets policy.

ii) *Lease liabilities*
At the commencement date of the lease, the Parent Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Parent Company and payments of penalties for terminating a lease, if the lease term reflects the Parent Company exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Parent Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases
The Parent Company applies the short-term lease recognition exemption to its short-term leases of vehicle (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Interest Income
Interest income is recognized as interest accrues, using the EIR method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Expenses
Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants, and are recognized when these are incurred. Expenses are generally recognized when the services are used, or the expenses arise.

Provisions
Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Parent Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expenses relating to any provision are presented in profit or loss, net of any reimbursement.

If the effect of the time value of money is material, provisions are made by discounting the expected future cash flows at a pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Income Taxes
Current Income Tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Parent Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the income tax returns with respect to situations in which applicable income tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax
Deferred income tax is provided using the balance sheet liability method on temporary differences between the income tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognized for all taxable temporary differences.
Deferred income tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred income tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in other comprehensive income ("OCI") or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Earnings (Loss) Per Share ("EPS")
Basic EPS is computed by dividing net income for the year attributable to common shareholders of the Parent Company with the weighted average number of common shares outstanding during the year, after giving retroactive effect to any stock dividends or stock splits, if any, declared during the year.

Diluted EPS is computed in the same manner, with the net income for the year attributable to common shareholders of the Parent Company and the weighted average number of common shares outstanding during the year, adjusted for the effect of all dilutive potential common shares. As of December 31, 2023 and 2022, the Parent Company does not have any dilutive potential common shares. Hence, diluted EPS is the same as basic EPS.

Operating Segments
The Parent Company has no operating segments as it has not yet commenced its commercial operations as of December 31, 2023 and 2022.

Contingencies
Contingent liabilities are not recognized in the parent company financial statements. These are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the parent company financial statements but are disclosed in the notes when an inflow of economic benefits is probable.

Events After the Financial Reporting Date
Events after the financial reporting date that provide additional information about the Parent Company's position at the balance sheet date (adjusting events) are reflected in the parent company financial statements. Events after the financial reporting date that are not adjusting events are disclosed in the notes to parent company financial statements when material.

Future Changes in Accounting Policies
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Parent Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Parent Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

  The amendments clarify:
  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right.
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

  The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier adoption is permitted and that fact must be disclosed.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FSRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

- Amendments to PAS 21*, Lack of Exchangeability*

  The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted and that fact must be disclosed. When applying the amendments, an entity cannot restate comparative information.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial and Sustainability Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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3. Significant Accounting Estimate and Assumption

The parent company financial statements prepared in accordance with PFRSs require management to make judgments and estimates that affect amounts reported in the parent company financial statements and related notes. The judgments and estimates used in the parent company financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the parent company financial statements. Actual results could differ from such estimates.

Judgments and estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The items are those matters which the Parent Company assess to have significant risks arising from estimation uncertainties:

Judgment

In the process of applying the Parent Company's accounting policies, management has made the following judgment, apart from those involving estimations, which have the most significant effect on the amounts recognized in the parent company financial statements. This judgment is based upon management's evaluation of relevant facts and circumstances as of the date of the parent company financial statements.

Determination of Control Over an Investee Company
Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Parent Company has established that it has the ability to control its subsidiaries by virtue of 100% or a majority of the voting interest in the investee company.

Assessing Impairment of Deposits for Land Acquisition
The Parent Company assesses at each financial reporting date whether there is indication that the Deposits for land acquisition may be impaired. Management's assessment of impairment considers information from various sources, including those from the land acquisition process and the related requirements, the current status of land acquisition, the timeline of activities and factors that may affect the timing of completion of the transaction.

As of December 31, 2023 and 2022, management has assessed that there were no indicators that the deposits for land acquisition may be impaired. The carrying value of deposits for land acquisition amounted to ₱1,550.3 million and ₱1,252.8 million as of December 31, 2023 and 2022, respectively (see Note 7).

Estimates
Estimating Useful Lives of ROU Assets
The Parent Company estimates the useful lives of ROU assets based on the period over which each asset is expected to be available for use and on the collective assessment of industry practices, internal evaluation and experience with similar arrangements. The estimated useful life is revisited at the end of each financial reporting period and updated if expectations differ materially from previous estimates.

The carrying amount of ROU assets amounted to ₱254.0 million and ₱281.5 million as of December 31, 2023 and 2022, respectively (see Notes 6 and 15).

Estimating Impairment of Financial Assets
The measurement of impairment losses under PFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows, including collectability, collateral values and other credit enhancements, when determining impairment losses. Increases or decreases to the allowance balance are recorded as general and administrative expenses in the parent company statements of comprehensive income.

Under PFRS 9, *Financial Instruments,* additional judgments are also made in assessing a significant increase in credit risk in the case of financial assets measured using the general approach. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Parent Company's impairment calculations are outputs of statistical models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the impairment models that are considered accounting judgments and estimates include:

- The Parent Company's criteria for defining default and for assessing if there has been a significant increase in credit risk;
- The segmentation of financial and contract assets when impairment is assessed on a collective basis;

- The choice of inputs and the various formulas used in the impairment calculation;
- Determination of relationships between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and,
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the impairment models.

It has been the Parent Company's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Measurement of ECL
ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- *Financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Parent Company in accordance with the contract and the cash flows that the Parent Company expects to receive.
- *Financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.

The Parent Company leverages existing risk management indicators (e.g., internal credit risk classification and restructuring triggers), credit risk rating changes and reasonable and supportable information which allows the Parent Company to identify whether the credit risk of financial assets has significantly increased.

No provision for ECL was recognized by the Parent Company for the year ended December 31, 2023 and for the six-month period ended December 31, 2022. The aggregate carrying values of cash and cash equivalents (excluding cash on hand), subscriptions receivable, due from related parties, bonds (included under other current assets) amounted to ₱12,188.2 million and ₱3,111.4 million as of December 31, 2023 and 2022, respectively (Notes 4, 5, 11, 12 and 16).

Estimating Impairment of Investments and deposits
The Parent Company performs an impairment review on its investments and deposits whenever an impairment indicator exists. This requires an estimation of the value in use of the investments.

Estimating the value in use requires the Parent Company to make an estimate of the expected future cash flows of the investments and to make use of a suitable discount rate to calculate the present value of those future cash flows. Management has determined that there are no events or circumstances that may indicate that the carrying amounts of the investments and deposits are not recoverable.
Thus, no impairment loss was recognized in 2023 and 2022. The carrying amount of investments and deposits amounted to ₱9,204.8 million and ₱0.1 million as of December 31, 2023 and 2022, respectively (see Note 8).

Estimating Impairment of Nonfinancial Assets, other than Investments and deposits
The Parent Company assesses impairment of nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Parent Company considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of assets in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For impairment loss on specific assets, the recoverable amount represents the fair value less costs to sell.

The carrying amounts of assets that are subject to impairment testing when impairment indicators are present (such as obsolescence, physical damage, significant changes to the manner in which the asset is used, worse than expected economic performance, or other external indicators) are as follows:

	2023	2022
Property, plant and equipment (Notes 6)	**₱2,112,730,586**	₱1,671,233,624
Deposits for land acquisition (Note 7)	**1,550,289,326**	1,252,773,959
Other noncurrent assets (Note 9)	**152,764,152**	136,395,146
	₱3,815,784,064	₱3,060,402,729

There were no indicators of impairment of nonfinancial assets for the year ended December 31, 2023 and for the six-month period from July 1, 2022 to December 31, 2022.

Estimating the Realizability of Deferred Income Tax Assets
Deferred income tax asset is recognized for all deductible temporary differences to the extent that it is probable that sufficient future taxable income will be available in the future against which the deductible temporary differences can be utilized. Significant management estimate is required to determine the amount of deferred income tax asset that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies. The carrying value of recognized deferred income tax assets amounted to ₱28.0 million and ₱30.2 million as of December 31, 2023 and 2022, respectively (see Note 14). The Parent Company did not recognize deferred income tax assets on the carryforward benefits of unused net operating loss carryover ("NOLCO") amounting to ₱445.6 million and ₱251.0 million as of December 31, 2023 and 2022, respectively, as management believes that there is no sufficient future taxable income to allow all or part of the deductible temporary difference to be utilized before its expiration (see Note 14).

4. Cash

	2023	2022
Cash in banks and on hand	**₱38,201,023**	20,275,735
Short-term deposits	**9,765,000,000**	–
	₱9,803,201,023	₱20,375,735

Short-term deposits are made for varying periods of up to three (3) months and earn interest at the prevailing short-term deposit interest rates.

Cash in banks earn interest at the respective bank deposit rates. Total interest earned on cash in banks, net of final tax, amounted to ₱7.1 million and ₱2.4 million for the year ended December 31, 2023 and for the six-month period ended December 31, 2022, respectively.

Cash in banks include the balance of escrow account where the net proceeds of the Initial Public Offering ("IPO") and Stock Rights Offering ("SRO") are deposited. As provided in the escrow agreement, the escrow agent shall release to the Parent Company the offer proceeds within five (5) banking days from the receipt of an instruction letter from the Parent Company directing such release and certifying that the amount released shall be used solely in accordance with the purpose stated in the use of proceeds of IPO and/or SRO (see Note 12).

In the event of any change in the use of proceeds, the Parent Company shall provide the escrow agent with a copy of the certification by the Parent Company's corporate secretary of the board resolution approving such new use of proceeds and a certification by the Parent Company's corporate secretary that the new use of proceeds has been disclosed to the PSE in accordance with applicable PSE rules.

5. **Other Current Assets**

	2023	2022
Deferred transaction costs (Note 12)	**₱32,106,975**	₱–
Bonds (Notes 16 and 20)	**15,552,038**	15,552,038
Prepaid premiums (Notes 13 and 20)	**2,950,073**	2,969,843
Others	**1,529,428**	66,130
	₱52,138,514	₱18,588,011

Bonds consist of:

Beneficiary	Contract	Term	Expiry Date	Amount
Angeles Electric Corporation ("AEC")	Power Supply Agreement for 15 MW_p solar power project	Callable upon demand	August 10, 2024	₱15,000,000
Department of Agrarian Reform ("DAR")	DAR conversion order	Refundable upon conversion of land and compliance with the conditions set forth in the DAR conversion order		552,038
Total				₱15,552,038

Others include advances to employees of SP Project Holdings that are subject for liquidation within 30 days.

6. Property, Plant and Equipment

	2023			
	Transportation Equipment	**Construction in progress** (Notes 1 and 15)	**ROU Assets**	**Total**
Cost:				
Balances at beginning of period	**₱207,600**	**₱1,389,549,741**	**₱301,837,803**	**₱1,691,595,144**
Additions (Notes 11 and 15)	**–**	**468,996,069**	**–**	**468,996,069**
Adjustments (Note 15)	**–**	**–**	**(16,616,847)**	**(16,616,847)**
Balances at end of the period	**207,600**	**1,858,545,810**	**285,220,956**	**2,143,974,366**
Accumulated depreciation, amortization and impairment losses:	**13,840**	**–**	**20,347,680**	**20,361,520**
Depreciation and amortization (Note 13)	**41,520**	**–**	**5,168,385**	**5,209,905**
Amortization capitalized to CIP	**–**	**–**	**5,672,355**	**5,672,355**
Balances at end of period	**55,360**	**–**	**31,188,420**	**31,243,780**
Net book value	**₱152,240**	**₱1,858,545,810**	**₱254,032,536**	**₱2,112,730,586**

	2022			
	Transportation Equipment	Construction in progress (Notes 1 and 15)	ROU Assets	Total
Cost:				
Balances at beginning of period	₱–	₱921,385,618	₱301,837,803	₱1,223,223,421
Additions (Notes 11 and 15)	207,600	468,164,123	–	468,371,723
Balances at end of period	207,600	1,389,549,741	301,837,803	1,691,595,144
Accumulated depreciation, amortization and impairment losses:	–	–	14,927,309	14,927,309
Depreciation and amortization (Note 13)	13,840	–	2,584,193	2,598,033
Amortization capitalized to CIP	–	–	2,836,178	2,836,178
Balances at end of period	13,840	–	20,347,680	20,361,520
Net book value	₱193,760	₱1,389,549,741	₱281,490,123	₱1,671,233,624

7. Deposits for Land Acquisition

Following is a summary of the deposits for land acquisition of the Parent Company:

Entity	**2023**		**2022**	
	Land Area (in hectares)	Deposit Paid	Land Area (in hectares)	Deposit Paid
Provincia Investments Corporation ("PIC")	68.62	**₱267,000,000**	68.62	₱267,000,000
Lupang Hinirang Holdings Corporation ("LHHC")	56.81	**270,000,000**	56.81	270,000,000
Various landowners	1,288.11	**1,013,289,326**	925.61	715,773,959
	1,413.54	**₱1,550,289,326**	1,051.04	₱1,252,773,959

Following is the movement in the Parent Company's deposits for land acquisition with various landowners are as follows:

	2023	2022
Balances at beginning of period	**₱715,773,959**	₱84,499,933
Additions	**297,515,367**	631,274,026
Balances at end of period	**₱1,013,289,326**	₱715,773,959

As of December 31, 2023 and 2022, the remaining balance amounting to ₱802.4 million and ₱819.8 million, respectively, will be payable when the conditions under the contracts to sell are satisfied.

8. Investments and Deposits

Except with respect to SP Holdings, Inc. ("SP Holdings") and Terra Nueva, Inc. ("Terra Nueva"), which are investment holding entities, the rest of the investees has power generation as its primary purpose of business.

Except for Solar Philippines Calatagan Corporation ("SP Calatagan") and Solar Philippines Tarlac Corporation ("SP Tarlac"), all other subsidiaries have not started operations. The following is a summary of the investments and deposits:

		Percentage of Ownership		Amount invested	
	Investee	**2023**	2022	**2023**	2022
(a)	Terra Solar Philippines, Inc. (TSPI)	**100**	–	**₱6,026,010,374**	₱–
(b)	Solar Philippines Tarlac Corporation (SP Tarlac)	**100**	–	**2,241,687,500**	–
(c)	Solar Philippines Calatagan Corporation (SP Calatagan)[1]	**62**	–	**752,766,910**	–
(d)	Solar Philippines Rooftop Corporation (SP Rooftop)	**100**	–	**100,750,000**	–
(e)	Solar Philippines Retail Electricity, Inc. (SPREI)	**100**	–	**44,330,000**	–
(f)	Laguna Rooftop Solar Corporation (Laguna Rooftop)	**100**	–	**32,401,203**	–
(g)	SP Holdings, Inc. (SP Holdings)	**100**	–	**2,975,000**	–
(h)	Solar Philippines South Luzon Corporation (SP South Luzon)	**100**	–	**1,007,500**	–
(i)	Solar Philippines Tarlac Baseload Corporation (SP Tarlac Baseload)	**100**	–	**554,125**	–
(j)	Solar Philippines Batangas Corporation (SP Batangas)	**100**	–	**453,375**	–
(k)	Solar Philippines Batangas Baseload Corporation (SP Batangas Baseload)	**100**	–	**251,875**	–
(l)	Solar Philippines Central Visayas Corporation (SP Central Visayas)	**100**	–	**251,875**	–
(m)	Solar Philippines Eastern Corporation (SP Eastern)	**100**	–	**251,875**	–
(n)	Solar Philippines Southern Mindanao Corporation (SP Southern Mindanao)	**100**	–	**251,875**	–
(o)	Solar Philippines Southern Tagalog Corporation (SP Southern Tagalog)	**100**	–	**251,875**	–
(p)	Solar Philippines Visayas Corporation (SP Visayas)	**100**	–	**251,875**	–
(q)	Solar Philippines Western Corporation (SP Western)	**100**	–	**251,875**	–
(r)	Terra Nueva, Inc. (Terra Nueva)	**100**	100	**100,000**	100,000
				₱9,204,799,112	₱100,000

[1]Economic interest is 100% after dividend to preferred stock

Acquisition of Solar Philippines Assets
On February 24, 2022, the BOD of the Parent Company approved the acquisition of 100% of the outstanding shares of SP Project Holdings and affiliates in various entities ("Solar Philippines Assets")

In 2023, SPNEC executed several Deeds of Absolute Sale of Shares ("DOASS") with certain affiliates for the following transactions:

Date	Counterparty	Asset Acquired	Consideration (in millions)
May 15, 2023	SP Project Holdings	SP Tarlac	₱2,241.7
		SP Rooftop	100.7
June 9, 2023		Solar Philippines Assets	80.0
June 29, 2023		SP Calatagan	502.8
November 20, 2023	Leandro L. Leviste	SP Calatagan	249.9

On November 9, 2023, SPNEC entered into a Deed of Donation and Acceptance with Countryside Investments Holdings Corporation ("Countryside"), whereby Countryside donated and conveyed all its rights and obligations in SP Holdings, Inc. ("SP Holdings") to SPNEC. In 2023, the Parent Company recognized other income amounting to ₱2.9 million, equal to the market value of shares received by SPNEC.

On December 11, 2023, SPNEC and SP Project Holdings executed a deed of assignment wherein SP Project Holdings assigned to SPNEC all its rights, title and interest therein in relation to the ₱26.0 million deposit for future stock subscription in TSPI of SP Project Holdings.

Leandro L. Leviste is the major shareholder of SP Project Holdings and Countryside.

Prior to the transactions, SPNEC has no existing interests in and to the Solar Philippines Assets. The aforementioned acquisitions resulted in 100% interest in the Solar Philippines Assets, except for SP Calatagan, Laguna Rooftop, and SP Central Luzon in which SPNEC acquired 62%, 60%, and 1% interest, respectively and excluding preferred shares in SP Tarlac.

Acquisition of controlling interest in TSPI from Prime Infrastructure, Inc. ("Prime Infra")
As provided under the Memorandum of Agreement ("MOA") between SP Project Holdings and Prime Infra and Prime Metro Holdings Corporation ("Prime Metro"), SPNEC acquired Prime's 50.01% interest in Terra Solar on December 11, 2023 for ₱6,000.0 million. Thereafter, Terra Solar became a wholly owned subsidiary of SPNEC.

Prior to the acquisition, SPNEC and Prime Infra has 49.99% and 50.01% interest, respectively, in TSPI. The foregoing acquisition was accounted for using acquisition method under PFRS 3, *Business Combination*. As of December 31, 2023, TSPI is a wholly owned subsidiary of SPNEC.

SP Calatagan
SP Calatagan is registered with the Board of Investments ("BOI") entity. Under the provisions of Republic Act No. 9513, "Renewable Energy ("RE") Act of 2008", SP Calatagan shall be entitled to seven (7) years income tax holiday ("ITH") from start of actual operations or two (2) months from the date of commissioning or testing, whichever comes earlier, duty-free importation of machineries for a period of 10 years and exemption from VAT, among others.

While all of the common shares of SP Calatagan are held by SPNEC and the preferred shares by KEPCO Philippines Holdings, Inc. (“KEPCO”), the voting interest is shared 62% and 38%, in favor of SPNEC. The preferred shares are voting, non-participating and earn cumulative dividends at ₱0.08 per share until December 31, 2035 subject to availability of retained earnings and approval of the BOD. These are convertible to common stock at the option of KEPCO through December 31, 2022 and at the option of SP Calatagan after December 31, 2035, provided the cumulative dividends are paid. Unpaid dividends are entitled to compounded interest at 9.5% per annum until fully paid. As at December 31, 2023, undeclared dividends on the SP Calatagan preferred shares amounted to ₱256.7 million, and accumulated interest recorded amounted to ₱11.0 million.

SP Calatagan owns and operates a 63.4 MW_{ac} solar photovoltaic (“PV”) facility situated in Calatagan, Batangas. It has an Energy Regulatory Commission (“ERC”) awarded Feed-in-Tariff (“FIT”) Certificate of Compliance (“COC”), which entitles SP Calatagan to a base FIT rate of ₱8.69 per kWh, subject to an annual escalation, to be approved by the ERC.

WESC
On December 23, 2019, SP Calatagan entered into WESC No. 2019-10-126 with the DOE granting SP Calatagan the exclusive right to explore, develop and utilize the wind energy resource with the contract area covering a total of 486 hectares. The WESC allows for five (5) years non-extendable term for pre-development within which the developer should be able to declare commerciality.

GEAP
On June 24, 2022, SP Calatagan was awarded as one of the winning bidders by the DOE on its First Green Energy Auction Round. SP Calatagan will supply the electricity from the 30 MW Calatagan Wind Project. The winning bids under the GEAP, which are expected to commence operations between 2023 and 2025, will be awarded 20-year power supply agreements. SP Calatagan submitted a performance bond amounting to ₱571.1 million valid until August 1, 2024.

<u>SP Tarlac</u>
SP Tarlac is also registered with the BOI and is entitled to 7-year IT beginning September 12, 2019.

All of the common shares of SP Tarlac are held by SPNEC while all redeemable preferred shares totaling ₱1,500.0 million are held by Prime Metro. Such redeemable preferred shares are non-voting and entitled to cumulated fixed dividend at a rate of 12% per annum, subject to availability of retained earnings and approval of the BOD. These shares are redeemable at the option of SP Tarlac after five (5) years from issuance and convertible to common stock equivalent to 50% equity at the option of Prime Metro.

As at December 31, 2023, cumulative undeclared dividends amounted ₱589.9 million.

<u>SP Rooftop</u>
On December 14, 2022, the DOE awarded SP Rooftop with Solar Energy Operating Contract (“SEOC”) No. 2022-11-644, for the exclusive right to explore, develop and operate its 2.04 MW DMPI Bugo Solar Power Project. The SEOC has a contract period of 25 years and will expire on 2047. SP Rooftop shall develop, construct, install, commission, and operate the solar PV system within the period of the first five-year work program.

<u>SP Batangas</u>
On December 20, 2019, the DOE awarded SP Batangas with SESC No. 2019-02-500 for the exclusive right to explore and develop the Padre Garcia Solar Power Project. SP Batangas shall undertake exploration, assessment, harnessing, piloting and other studies of Solar Energy resources in Lipa City and Padre Garcia, Batangas. The SESC allows for two (2) years non-extendable term for

pre-development within which SP Batangas should be able to declare commerciality.

SP Batangas Baseload
On August 22, 2017, SPCRPI, an affiliate of the SP Batangas Baseload, was awarded the SESC No. 2017-05-384 for the exclusive right to explore and develop the Balayan Solar Power Project, wherein SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Balayan and Calaca, Batangas. On May 26, 2021, SPCRPI executed a Deed of Assignment transferring all his rights and obligations to SP Batangas Baseload. As of April 12, 2024, SP Batangas Baseload is still awaiting for the acknowledgment and approval from the DOE of the Deed of Assignment between SPCRPI and SP Batangas Baseload.

SP Central Visayas
On February 9, 2017, SPCRPI, an affiliate of SP Central Visayas, was awarded SESC No. 2017-02-364 for the exclusive right to explore and develop the Medellin Solar Power Project, wherein SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Medellin, Cebu. On March 23, 2022, SPCRPI executed a Deed of Assignment transferring all his rights and obligations to SP Central Visayas. On March 23, 2022, SP Central Visayas has submitted to the DOE the necessary documents for the transfer of the SESC under the name of SP Central Visayas. As of April 12, 2024, SP Central Visayas is still awaiting for the acknowledgment and approval from the DOE of the Deed of Assignment between SPCRPI and SP Central Visayas.

SP Eastern
On April 11, 2019, SPCRPI, an affiliate of SP Eastern, was awarded SESC No. 2018-03-479 for the exclusive right to explore and develop the Tayabas Solar Power Project, wherein SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Tayabas, Quezon. On March 23, 2022, SPCRPI executed a Deed of Assignment transferring all its rights and obligations to the Tayabas Solar Power Project. On March 23, 2022, SP Eastern has submitted to the DOE the necessary documents for the transfer of the SESC under the name of SP Eastern. As of April 12, 2024, SP Eastern is still awaiting for the acknowledgment and approval from the DOE on the Deed of Assignment between SPCRPI and SP Eastern.

SPREI
Under Section 30 of Electric Power Industry Reform Act of 2001 ("EPIRA"), the ERC may authorize entities to become eligible as members, either directly or indirectly, of the Wholesale Electricity Spot Market (WESM). All generating companies, distribution utilities, suppliers, bulk consumers/end-users and other similar entities authorized by the ERC, whether direct or indirect members of the WESM shall be bound by the WESM spot market rules with respect to transactions in the market.

On February 18, 2020, SPREI was registered with Philippine Electricity Market Corporation (PEMC) as Direct Member - RES Category.

SP Southern Mindanao
On December 23, 2019, SPCRPI, an affiliate of SP Southern Mindanao, was awarded SESC No. 2019-05-514 for the exclusive right to explore and develop the General Santos Solar Power Project, wherein SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in General Santos City, South Cotabato.
On March 23, 2022, SPCRPI executed a Deed of Assignment transferring all its rights and obligations to the General Santos Solar Power Project. On March 23, 2022, SP Southern Mindanao applied with the DOE for the transfer of the SESC under the name of SP Southern Mindanao. As of April 12, 2024, SP Southern Mindanao is still awaiting for the acknowledgment and approval from the DOE on the Deed of Assignment between SPCRPI and SP Southern Mindanao.

SP Southern Tagalog

On April 11, 2019, SPCRPI, an affiliate of SP Southern Tagalog, was awarded SESC No. 2018-03-477 for the exclusive right to explore and develop the Cabatang Tiaong Solar Power Project, wherein SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Cabatang Tiaong, Quezon. On March 23, 2022, SPCRPI executed a Deed of Assignment transferring all his rights and obligations to SP Southern Tagalog. On the same date, SP Southern Tagalog has submitted to the DOE the necessary documents for the transfer of the SESC under the name of SP Southern Tagalog. As of April 12, 2024, SP Southern Tagalog is still awaiting for the acknowledgment and approval from the DOE of the Deed of Assignment between SPCRPI and SP Southern Tagalog.

SP South Luzon

The following SESCs were awarded to SP South Luzon.

SESC No.	Award Date	Project Name
2019-10-531	December 20, 2019	Binangonan and Cardona, Rizal and Laguna de Bay Solar Power Project
2019-05-513	December 23, 2019	Pili and Naga City, Camarines Sur Solar Power Project

SP Tarlac Baseload

On July 18, 2017, SPCRPI, an affiliate of SP Tarlac Baseload, was awarded SESC No. 2017-05-385 for the exclusive right to explore and develop the Calamba-Tanauan Solar Power Project, wherein the SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Tarlac City and La Paz, Tarlac. On May 26, 2021, SPCRPI executed Deed of Assignment transferring all his rights and obligations to SP Tarlac Baseload. As of April 12, 2024, Tarlac Baseload is still awaiting for the acknowledgment and approval from the DOE of the Deed of Assignment between SPCRPI and SP Tarlac Baseload.

SP Visayas

On December 27, 2019, the DOE awarded SP Visayas with SESC No. 2019-05-512 for the exclusive right to explore and develop the Kananga-Ormoc Solar Power Project, wherein SP Visayas shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Kananga and Ormoc City, Leyte. Further, on that same day, the DOE issued and approved a COR under the name of SP Visayas which recognizes SP Visayas as a RE developer.

GEAP

In 2022, the SP Visayas was awarded as one of the winning bidders by the DOE for the first round of the GEAP, which promotes the acceleration of renewable energy systems and the promotion and commercialization of its application, encourage free and active private sector participation and investment in all energy activities, and provide adequate capacity to meet demand. SP Visayas submitted a surety bond, as part of the bidding requirements.

TSPI
TSPI was incorporated and registered with the SEC on June 21, 2021 primarily to generate and supply solar energy. The following SESCs were awarded to SPCRPI, an affiliate of TSPI.

SESC No.	Award Date	Project Name
2017-02-365	February 9, 2017	100 MW Iba-Palauig 1
2017-06-421	August 22, 2017	100 MW Maragondon-Naic 1
2017-06-407	August 22, 2017	140 MW San Ildelfonso, Bulacan
2017-06-405	August 22, 2017	140 MW San Rafael 1 Bulacan
2017-07-434	April 11, 2019	100 MW Santa Rosa Nueva Ecija

On June 30, 2021, SPCRPI executed a Deed of Assignment transferring all its rights and obligations to TSPI. On March 27, 2023, TSPI applied with the DOE for the approval of the assignment of the SESCs. As of April 12, 2024, TSPI awaits the approval of DOE.

Laguna Rooftop
Laguna Rooftop was incorporated and registered with the SEC on July 6, 2021, primarily to engage in the development, financing, construction, testing, operation, maintenance and ownership of rooftop solar electricity generation projects tendered by Mitsubishi Motors Philippines Corporation ("MMPC") and its subsidiary, Asian Transmission Corporation ("ATC").

The following SEOCs were awarded to Laguna Rooftop. Each SEOC has a contract period of 25 years and will expire on 2047.

SEOC No.	Award Date	Project Name	Capacity ("MW_p")
2022-03-618	April 5, 2022	ATC Solar Power Project	1.752
2022-05-623	June 9, 2022	MMPC Phase 1 Solar Power Project	4.097
2022-05-624	June 10, 2022	MMPC Phase 2 Solar Power Project	0.130

The BOI approved Laguna Rooftop's registration as RE Developer for the following projects:

Award Date	Project Name	Capacity ("MW_p")
December 19, 2022	ATC Solar Power Project	1.752
January 16, 2023	MMPC Phase 2 Solar Power Project	0.130
August 24, 2023	MMPC Phase 1 Solar Power Project	4.096

The BOI certifications served as the basis of entitlement to incentives under RA No. 9513, otherwise known as the Renewable Energy Act of 2008, which grants Laguna Rooftop ITH for a period of seven (7) years from the start of its commercial operation, duty free importation of machineries for ten (10) years, and zero-rated VAT among others.

On November 24, 2023, Laguna Rooftop received the Distributed Energy Resources Certificate of Compliance ("COC") from the ERC. On January 8, 2024, the ATC solar power project started its commercial operations.

As of December 31, 2023, Laguna Rooftop is still in the process of securing the related COC from the ERC for the MMPC solar power projects.

SP Holdings
SP Holdings was incorporated and registered with the SEC on June 9, 2021 and registered with the BIR on July 9, 2021, primarily to invest in, hold, use, sell, transfer, mortgage, pledge, exchange, or

otherwise dispose of assets. SP Holdings was formed to carry on and manage the general business of any company, except as a stockbroker or dealer in securities.

Terra Nueva
Terra Nueva was incorporated on August 31, 2022 primarily to invest in, purchase, or otherwise acquire, own, and hold on assets purely for investment purposes.

9. Other Noncurrent Assets

	2023	2022
Input VAT	**₱135,117,799**	₱126,640,015
Deferred input VAT	**2,084,703**	480,000
Others (Note 15)	**15,689,818**	9,403,299
	152,892,320	136,523,314
Less allowance for impairment of input VAT	**(128,168)**	(128,168)
	₱152,764,152	₱136,395,146

Others include lease security deposits and payments to various landowners in relation to easement and right-of-way which amounted to ₱6.3 million in 2023.

10. Accounts Payable and Other Liabilities

	2023	2022
Accounts payable:		
Related parties (Note 11)	**₱16,972,319**	₱15,039,314
Third parties	**10,296,887**	–
Accrued expenses	**21,384,894**	2,436,359
Withholding tax payable	**1,737,607**	24,798,615
Other payables	**6,752**	43,783
	₱50,398,459	₱42,318,071

Accounts payable are non-interest bearing and are normally settled within one year. Withholding tax payable pertains to withholding taxes on professional fees. Accrued expenses include accrual of professional fees.

11. Related Party Transactions

Parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, the parties are subject to common control, or the party is an associate or a joint venture.

Affiliates are related entities of the Parent Company by virtue of common ownership and representation to management where significant influence is apparent.

Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties.

Following are the Parent Company's related party transactions and the related outstanding balances for the year ended December 31, 2023 and for the period from July 1, 2022 to December 31, 2022 and the related outstanding balances as of December 31, 2023 and 2022:

	Transactions during the periods ended		Outstanding balance as of December 31			
	December 31, 2023 (One Year)	December 31, 2022 (Six Months)	**2023**	2022	Terms	Conditions
Deposit for land acquisition (Note 7)						
LHHC	**₱–**	₱–	**₱270,000,000**	₱270,000,000	Deposits; non-interest bearing	Unsecured; Not impaired
PIC	**–**	–	**267,000,000**	267,000,000	-do-	-do-
			₱537,000,000	₱537,000,000		
Due from related parties						
Subsidiaries						
Terra Nueva	**₱501,836,973**	₱1,603,059,243	**₱2,102,481,494**	₱1,603,059,243	Due and demandable; non-interest bearing	Unsecured; Not impaired
SP Holdings	**–**	251,890,000	**220,050,000**	793,590,000	-do-	-do-
SP Rooftop	**12,550,000**	–	**12,550,000**	–	-do-	-do-
SP Batangas Baseload	**3,200,000**	–	**3,200,000**	–	-do-	-do-
SP Eastern	**20,000**	–	**20,000**	–	-do-	-do-
SP Visayas	**11,000**	–	**11,000**	–	-do-	-do-
SP Batangas	**1,000**	–	**1,000**	–	-do-	-do-
			2,338,313,494	2,396,649,243		
Affiliates						
SPCRPI	**2,100,000**	19,098,320	**21,198,320**	19,098,320	Due and demandable; non-interest bearing	Unsecured; Not impaired
SP Project Holdings	**–**	8,700,000	**8,700,000**	8,700,000	-do-	-do-
SPCLC	**5,000**	–	**5,000**	–	-do-	-do-
			29,903,320	27,798,320		
			₱2,368,216,814	₱2,424,447,563		
Due to a related party						
SP Project Holdings	**₱326,103,072**	₱–	**₱129,833,301**	₱22,770,229	Due and demandable; non-interest bearing	Unsecured
Accounts payable (Note 10)						
SMSC	**₱43,630,045**	₱23,450,790	**₱6,814,619**	₱2,339,094	Management fee	Unsecured; Due and demandable; non-interest bearing
SP Project Holdings	**36,000,000**	68,000,000	**5,880,000**	–	Construction support services	-do-
SP Project Holdings	**26,040,000**	12,800,000	**4,277,700**	12,700,000	Management fee	-do-
			₱16,972,319	₱15,039,094		

a. SP Project Holdings

Deed of Assignment with SP Project Holdings
On January 11, 2021, a Deed of Assignment was entered into by the Parent Company, as the assignee, and SP Project Holdings, as the assignor, whereby, SP Project Holdings assigned to the

Parent Company all of its rights and obligations under the September 6, 2016 lease agreement covering a total land area of 169.9 hectares, among others, and the Parent Company accepted and assumed all of the said rights and obligations thus assigned, pursuant to the said Deed of Assignment (see Note 15).

Management Services Agreement ("MSA") with SP Project Holdings
On April 30, 2021, the Parent Company entered into a MSA with SP Project Holdings to provide executive and leadership support and execute its strategic direction while managing its business operations for a period from May 1, 2021 to April 30, 2024, renewable upon mutual agreement of both parties, for a monthly fee of ₱2.0 million, subject to 5% annual escalation.

The MSA covers all necessary administrative and advisory services on management, investment and technical matters involving the Parent Company's operations, including but not limited to human resources, legal, finance, and information technology.

Prior to May 2021, the administrative and finance functions of the Parent Company were being handled by SP Project Holdings at no cost to the Parent Company. Starting May 2021, the key administrative and finance functions are performed by SP Project Holdings through the MSA.

Management fee recognized for the year ended December 31, 2023 and for the six-month period from July 1, 2022 to December 31, 2022 amounted to ₱26.0 million and ₱12.8 million, respectively, presented as "Management fee" under "Expenses" in the parent company statements of comprehensive income (see Note 13).

Construction Support Services Agreement ("CSSA") with SP Project Holdings
On September 30, 2022, the Parent Company entered into a CSSA with SP Project Holdings wherein SP Project Holdings shall provide support services, including engineering, procurement and construction ("EPC"), logistics, warehousing and other contractor-related services during the construction of the NE 2 Project.

Construction support services recognized for the year ended December 31, 2023 and for the six-month period ended December 31, 2022, amounted to ₱36.0 million, and ₱68.0 million, respectively, which were capitalized as part of CIP (see Note 6).

Intercompany Advance Agreement ("IAA") with SP Project Holdings and Terra Nueva
On May 5, 2023, the BOD of SPNEC approved the authority to enter in a loan arrangement with SP Project Holdings in which SP Project Holdings may lend to SPNEC an amount up to the net proceeds of the Share Purchase Agreement with MPIC (net of taxes, costs, and fees), under the terms and conditions approved and recommended for board approval by the Related Party Transactions Committee of SPNEC, and the proposed on-lending from SPNEC to Terra Nueva of the proceeds of this loan.

On June 2023, SPNEC entered into an IAA with SP Project Holdings whereby SP Project Holdings shall extend a loan to SPNEC wherein the latter shall exclusively use the proceeds of the loan for on-lending to Terra Nueva. Per IAA, SPNEC shall not directly or indirectly use the proceeds of the Loan for any other purpose without SP Project Holdings' prior written consent. The IAA shall have a term of one (1) year, subject to extension mutually agreed by the parties.

On the same date, SPNEC entered into an IAA with Terra Nueva whereby SPNEC shall extend a loan to Terra Nueva wherein the latter shall exclusively use the proceeds to acquire the Project Land, as defined in the IAA. Per IAA, Terra Nueva shall not directly or indirectly use the proceeds of the Loan for any other purpose without the Lender's prior written consent. The IAA shall have a term of one (1) year, subject to extension mutually agreed by the parties.

In 2023, SPNEC received advances from SP Project Holdings which were then subsequently advanced to Terra Nueva amounting to ₱300.0 million.

Deed of Assignment of deposit with SP Project Holdings
On December 11, 2023, SPNEC and SP Project Holdings executed a Deed of Assignment wherein the latter assigned all its rights, title and interest to the former in relation to the ₱25.96 million deposit for future stock subscription in TSPI (see Note 8). In 2023, the Parent Company recognized other income amounting to ₱25.96 million presented as part of "Other income - net" in the parent company statements of income.

b. LHHC

MOA with LHHC
On April 19, 2021, the Parent Company entered into a MOA with LHHC to secure land covering a total area of 56.81 hectares for a total amount of ₱270.0 million (see Note 7).

c. PIC

MOA with PIC
On February 20, 2021, the Parent Company entered into a MOA with PIC, which was later amended on March 3, 2021, to secure land covering a total area of 68.62 hectares for a total amount of ₱267.0 million (see Note 7).

d. SPCRPI

Project Development Services Agreement ("PDSA") and Amendment Agreement with SPCRPI
On September 30, 2022, the Parent Company entered into a PDSA with SP Project Holdings wherein SP Project Holdings shall provide project development services, including site identification, permitting and land acquisition covering a total area of 925.61 hectares, for a consideration of ₱150.0 million, exclusive of VAT.

On October 5, 2022, SP Project Holdings assigned all of its rights and obligations under the PDSA to SPCRPI.

As of December 31, 2022, the Parent Company has fully paid the services rendered by SPCRPI and has presented this as part of "Deposits for land acquisition" in the parent company statements of financial position (see Note 7).

CSSA with SPCRPI
On September 30, 2022, the Parent Company entered into a separate CSSA with SPCRPI wherein SPCRPI shall provide support services, including EPC, logistics, warehousing and other contractor-related services during the construction of the NE 2 Project for a consideration of ₱100.0 million, exclusive of VAT.

On October 5, 2022, the parties agreed to amend the consideration of the CSSA from ₱100.0 million to ₱219.5 million, exclusive of VAT.

As of December 31, 2022, ₱219.5 million was capitalized as part of CIP (see Note 6).

e. Solar Maintenance Services Corporation ("SMSC")

Support Services Agreement with SMSC
On September 29, 2022, the Parent Company entered into a Support Services Agreement with SMSC, an affiliate of the Parent Company, wherein SMSC shall provide support services during the construction and development of the NE 2 Project.

Manpower services recognized for the year ended December 31, 2023 and for the six-month period ended December 31, 2022, amounted to ₱43.6 million and ₱23.5 million, respectively, which was capitalized as part of CIP (see Note 6).

12. **Equity**

Capital Stock and Additional Paid-in Capital
The details of the Parent Company's capital stock as of December 31, 2023 and 2022 are as follows:

	2023		2022	
	Shares	**Amount**	Shares	Amount
Common shares – ₱0.1 par value per share				
Balances at beginning of year	**10,000,000,000**	**₱1,000,000,000**	10,000,000,000	₱1,000,000,000
Increase in authorized capital stock	**40,000,000,000**	**4,000,000,000**	–	–
Balances at end of year	**50,000,000,000**	**₱5,000,000,000**	10,000,000,000	₱1,000,000,000
Issued and outstanding:				
Balances at beginning of year	**10,000,000,000**	**₱1,000,000,000**	8,124,350,005	₱812,435,001
Issuance of shares	**24,373,050,000**	**2,437,305,000**	1,875,649,995	187,564,999
Balances at end of year	**34,373,050,000**	**₱3,437,305,000**	10,000,000,000	₱1,000,000,000

IPO
On December 17, 2021, the Parent Company completed its IPO and was listed in the PSE under the stock symbol "SPNEC".

SRO
On September 15, 2022, the Parent Company completed its SRO and issued 1,875,649,995 new common shares for a total consideration of ₱2,813.5 million or at ₱1.50 per share. The Parent Company offered the option to pay in installments, with a down payment of 25% and the balance of 75% within three (3) months of the offer period. This resulted to in additional paid-in capital of ₱2,591.4 million, net of transaction costs of ₱34.5 million.

On December 1, 2022, the Parent Company extended the payment period for partially paid Right Shares for a period of three (3) months, from December 5, 2022 to March 5, 2023.

As of December 31, 2023 and 2022, subscriptions receivable resulting from those that subscribed on installment payment amounted to ₱1.3 million and ₱651.1 million, respectively. As of April 12, 2024, the Parent Company has already received at least 99.84% of the payments and is currently coordinating with the relevant parties for the completion of the requirements of its SRO.

First Increase in Authorized Capital Stock
On June 1, 2023, the SEC approved the Parent Company's application for increase in authorized capital stock from ₱1.0 billion divided into 10.0 billion common shares at ₱0.10 per share, to ₱5.0 billion divided into 50.0 billion common shares at ₱0.10 per share.

Investment by MPIC
On March 27, 2023, MPIC entered into a Share Purchase Agreement ("SPA") with SP Project Holdings to acquire its rights, title and interest in and to SPNEC for a total of 1,600.0 million common shares (Sale Shares) for a total consideration of ₱2,000.0 million. MPIC paid the total consideration on May 10, 2023.

On May 5, 2023, SPNEC entered into an Option Agreement with SP Project Holdings and MPIC, which grants the MPIC Group the option to acquire up to 17,400.0 million shares of SPNEC, comprising up to 10,000.0 million primary shares for up to ₱12,500.0 million (Primary Option) and up to 7,400.0 million secondary shares for up to ₱9,250.0 million (Secondary Option), supported by the approval of SPNEC's first increase in authorized capital stock from 10,000.0 million to 50,000.0 million shares. Together with the initial acquisition by MPIC from SP Project Holdings of the Sale Shares, a full exercise of these options may result in the MPIC Group investing a total of ₱23,750.0 million for 19,000.0 million shares and becoming the largest shareholder with approximately 42.82% ownership in SPNEC. The Option Agreement was terminated on October 12, 2023.

Subscription Agreement with SP Project Holdings
On May 10, 2023, SPNEC received ₱2,437.3 million from SP Project Holdings for the subscription of 24,373.05 million common shares at ₱0.10 par value.

In 2023, transaction costs incurred amounting to ₱34.9 million were presented as a direct charge against "Deficit".

Capital Infusion
In 2023, SPNEC received cash infusion from SP Project Holdings amounting to ₱775.0 million as additional paid-in capital to SP Project Holdings' existing subscription in SPNEC. This was recognized as additional paid-in capital under equity.

Second Increase in Authorized Capital Stock
At its October 11, 2023 meeting, the BOD of the Parent Company approved the following:

a. Amendment of its Articles of Incorporation to increase its authorized capital stock from 50 billion common shares with par value of ₱0.10 per share to 75 billion common shares with par value of ₱0.10 per share and 25 billion preferred shares with par value of ₱0.01 per share, divided into Class A preferred shares and Class B preferred shares.
    i. The BOD shall determine: (a) the features of the Class A preferred shares (whether voting or non-voting) at each issuance of the Class A preferred shares; (b) the frequency of issuance of Class A preferred shares (which may be issued in one or more series), and (c) the preference as to redemption, dividends and other preferences for each issuance of Class A preferred shares. The Class A preferred shares shall not have pre-emptive rights over other issuances or re-issuance of preferred shares or common shares.
    ii. Class B preferred shares shall be (a) voting; (b) non-cumulative; (c) not entitled to any economic returns or dividends; (d) redeemable at the option of the Parent Company, at issue price, at such terms and conditions as may be determined by the BOD (and shall be immediately retireable upon redemption thereof); and (e) in the event of the liquidation, dissolution or winding up of the Parent Company (whether voluntary or involuntary), Class

B preferred shares shall have preference over the common shares in respect of the assets of the Parent Company available for distribution after payment of the liabilities of the Parent Company;

b. Authorization to execute an agreement for an investor to subscribe to shares in the Parent Company to support the above-mentioned increase in authorized capital stock.

c. Conduct of a Follow-On Offering with an aim to support the expansion of the Parent Company's project portfolio and increase the public ownership of its shares.

These were subsequently approved by the stockholders of the Parent Company on December 4, 2023.

In 2023, Parent Company paid filing fees amounting to ₱32.1 million, which was presented as "Deferred transaction costs" under "Other current assets" (see Note 5). This shall be reclassified to retained earnings upon approval of the Parent Company's second increase in authorized capital stock and issuance of shares.

On January 17, 2024, the SEC approved the Parent Company's application for increase in authorized capital stock.

Investment by MGreen
On October 12, 2023, SPNEC and SP Project Holdings entered into an Option Agreement with MGen which grants MGen the option to subscribe, out of the second increase in authorized capital stock, (i) 15.7 billion common shares with par value of ₱1.0 per share and (ii) 19.4 billion preferred shares with par value of ₱0.01 per share for a total subscription price of ₱15.9 billion. The BOD of the Parent Company shall comprise of nine (9) directors, wherein MGen shall elect five (5) directors and SP Project Holdings is allowed to elect no more than two (2) directors. On the same date, MGen, by virtue of a Deed of Assignment and Assumption, assigned all its rights and obligations under the Option Agreement to MGreen.

On November 30, 2023, SPNEC entered into a Subscription Agreement with MGreen to subscribe (i) 15.7 billion common shares with par value of ₱1.0 per share and (ii) 19.4 billion preferred shares with par value of ₱0.01 per share for a total subscription price of ₱15.9 billion. On December 27, 2023, MGreen completed the acquisition of 50.53% voting equity interest of SPNEC with the full payment of the common and redeemable voting preferred shares subscription price.

On December 6, 2023, the Parent Company filed its application for the aforementioned increase in authorized capital stock with the SEC. As of December 31, 2023, the Parent Company presented the cash subscription amounting to ₱15.9 billion as "Deposits for future stock subscription" under Equity. On January 17, 2024, upon the SEC's approval of the application for increase in authorized capital stock, the subscribed shares were issued to MGreen.

Pledge of Parent Company's Shares owned by SP Project Holdings
On June 25, 2021, SP Project Holdings executed a pledge over all the Parent Company's shares it holds to secure a loan by its affiliate, PIC, from ACEN Corporation (formerly AC Energy Corporation; "ACEN"). ACEN is a corporation organized in the Republic of the Philippines, and its shares are listed in the PSE under the stock symbol "ACEN". The pledged stock certificates of the Parent Company's shares were delivered to and is in the custody of the lender. The lender has agreed to provisionally return the stock certificates representing the pledged shares and to have the same placed under escrow for the exclusive purpose of enabling the IPO.

On January 25, 2023, SP Project Holdings executed definitive agreements with ACEN to provide 500 million common shares of SPNEC as prepayment for part of the loan's principal and payment of interest, other fees, and in consideration of ACEN releasing its pledge over shares owned by SP Project Holdings in SPNEC.

13. Expenses

	2023 (One Year)	2022 (Six Months)
Professional fees	**₱58,516,278**	₱6,001,289
Management fee (Note 11)	**26,040,000**	12,800,000
Taxes and licenses	**17,424,371**	3,972,856
Interest accretion of lease liabilities (Note 15)	**9,241,144**	4,532,695
Rentals	**8,046,250**	20,500
Depreciation and amortization (Notes 6 and 15)	**5,209,905**	2,598,033
Insurance (Note 5)	**5,183,160**	2,121,316
Penalties and surcharges	**3,266,040**	818,909
Supplies	**148,995**	1,220,327
Others	**7,412,025**	4,039,417
	₱140,488,168	₱38,125,342

Other expenses include notarial fees, trust fees, utilities, advertising expenses and travel expenses.

14. Income Taxes

The reconciliation of income tax benefit at the statutory income tax rates to the provision for income tax are as follows:

	2023 (One Year)	2022 (Six Months)
Income tax benefit at statutory income tax rate of 10%	**(₱10,407,705)**	(₱3,573,708)
Adjustments for:		
Movements in unrecognized deferred income tax assets	**20,403,105**	7,402,641
Nondeductible expenses	**578,404**	127,589
Interest income subject to final tax	**(710,469)**	(238,826)
Transaction costs charged to APIC and retained earnings	**(6,060,520)**	(3,452,558)
Nontaxable income	**(2,886,000)**	–
	₱916,815	₱265,138

The components of the Parent Company's recognized deferred income tax assets and liabilities follow:

	2023	2022
Deferred income tax asset on lease liability	**₱28,039,910**	₱30,219,583
Deferred income tax liability on ROU asset	**(18,748,903)**	(20,018,457)
Net deferred income tax asset	**₱9,291,007**	₱10,201,126

As of December 31, 2023, the Parent Company has NOLCO for which no deferred income tax assets have been recognized as follows:

Period Incurred	Valid Until	Amount
January 1 to December 31, 2023	December 31, 2026	₱194,599,519
July 1, 2022 to December 31, 2022	December 31, 2025	64,803,534
July 1, 2021 to June 30, 2022	June 30, 2027	172,229,330
January 1 to June 30, 2021	June 30, 2026	6,762,211
January 1 to December 31, 2020	December 31, 2025	7,162,169
		₱445,556,763

The movements in NOLCO are as follows:

	2023 (One Year)	2022 (Six Months)
Balances at beginning of period	**₱250,957,244**	₱190,618,674
Additions	**194,599,519**	64,803,534
Expirations	**–**	(4,464,964)
Balances at end of period	**₱445,556,763**	₱250,957,244

No deferred income tax asset was recognized on the carryforward benefits of NOLCO as of December 31, 2023 and 2022 amounting to ₱445.6 million and ₱251.0 million, respectively, as management estimates that there would be no sufficient future taxable income yet to allow all or part of the deductible temporary difference to be utilized prior to their expiration.

Bayanihan to Recover as One Act (Bayanihan 2)
On September 30, 2020, the BIR issued Revenue Regulation ("RR") No. 25-2020 implementing Section 4 (bbb) of Bayanihan 2 which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
On June 20, 2023, the Bureau of Internal Revenue issued Revenue Memorandum Circular (RMC) No. 69-2023 reverting the Minimum Corporate Income Tax (MCIT) rate to 2% of gross income effective July 1, 2023 pursuant to Republic Act (RA) No. 11534, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises (CREATE)" Act. MCIT rate was previously reduced from 2% to 1% effective July 1, 2020 to June 30, 2023 upon the effectivity of CREATE Act in 2021.

Consequently, the Parent Company recognized MCIT using the effective rate of 1.5% in 2023 in accordance with RMC 69-2023.

15. **Leases**

a. In 2019, the Parent Company entered into a land lease agreement with various landowners to develop solar farm projects in Peñaranda, Nueva Ecija for a total area of 95.8 hectares. The land was made available for use on January 1, 2019 with a one (1) year rent-free period plus 25-year term. Further, the lease is subject for renewal of 5 years upon mutual agreement by the parties.

b. On January 11, 2021, a Deed of Assignment was entered between the Parent Company, as the assignee, and SP Project Holdings, as the assignor, whereby, SP Project Holdings assigned all of its rights and obligations under the September 6, 2016 lease agreement for certain parcels of land with a total area of 179.6 hectares in Peñaranda, Nueva Ecija. The Parent Company accepted and assumed all of the said rights and obligations thus assigned, in pursuance of the said Deed of Assignment. Further, as agreed by the parties, the lease of the updated total land area of 169.9 hectares commenced in March 2021.

c. In May 2021, the Parent Company entered into a land lease agreement with various landowners to develop solar farm projects in Peñaranda, Nueva Ecija for a total area of 81.75 hectares. The land was made available for use on the execution date of the contract with a one (1) year rent-free period plus 25-year term. Further, the lease is subject for renewal of 5 years upon mutual agreement by the parties.

d. Lease liabilities as of December 31, 2023 and 2022 are as follows:

	2023*	2022
Balances at beginning of period	**₱303,138,420**	₱293,878,848
Adjustments	**(16,616,847)**	–
Interest expense capitalized to CIP*	**9,894,775**	4,726,877
Interest expense (Note 13)	**9,241,144**	4,532,695
Payments	**(14,647,543)**	–
Total lease liabilities	**291,009,949**	303,138,420
Current portion of lease liabilities	**4,490,610**	4,538,676
Noncurrent portion of lease liabilities	**₱286,519,339**	₱298,599,744

**Incurred during the construction period (see Notes 1 and 6)*

e. The following are the amounts recognized for the year ended December 31, 2023 and for the six-month period ended December 31, 2022 in the parent company statements of comprehensive income:

	2023 (One Year)	2022 (Six Months)
Interest accretion of lease liabilities	**₱9,241,144**	₱4,532,695
Amortization of ROU assets (Note 6)	**5,168,384**	2,584,193
Expenses related to leases of low value assets (included in Expenses, Note 13)	**8,046,250**	20,500
Total amounts recognized in the parent company statements of comprehensive income	**₱22,455,778**	₱7,137,388

f. As of April 12, 2024, 352.42 hectares of leased lands have DAR order, out of which 169.9 hectares are with DAR Certificate of Finality Order.

16. **Financial Instruments and Financial Risk Management**

Financial Risk Management Objectives and Policies

The Parent Company's principal financial instruments comprise of cash, subscriptions receivable, due from related parties, performance bond, cash bond deposit, accounts payable and other liabilities, due to a related party and lease liabilities. The main purpose of these financial instruments is to finance the Parent Company's operations.

The BOD has overall responsibility for the establishment and oversight of the Parent Company's risk management framework. The Parent Company's risk management policies are established to identify and manage the Parent Company's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Parent Company's activities.

The Parent Company has exposure to liquidity and credit risks from the uses of its financial instruments. The BOD reviews and approves the policies for managing this risk as summarized below:

Credit Risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

With respect to the credit risk arising from other financial assets of the Parent Company, which comprise cash in banks, subscriptions receivable, due from related parties, and bonds, the Parent Company's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amount of these instruments as of December 31, 2023 and 2022, are as follows:

	2023	2022
At amortized cost:		
Cash and cash equivalents*	**₱9,803,101,023**	₱20,275,735
Bonds**	**15,552,038**	15,552,038
Subscriptions receivable	**1,319,056**	651,115,661
Due from related parties	**2,368,216,814**	2,424,447,563
	₱12,188,188,931	₱3,111,390,997

**Excluding cash on hand*
***Included in other current assets*

Cash and cash equivalents
For cash and cash equivalents, the Parent Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Parent Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Parent Company uses the ratings from the external credit rating agencies to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

Due from related parties, bonds
The Parent Company's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. The credit quality is further classified and assessed by reference to historical information about each of the counterparty's historical default rates. Based on assessment of qualitative and quantitative factors that are indicative of the risk of default, the Parent Company has assessed that the outstanding balances are exposed to low credit risk. ECL on these balances have therefore been assessed as insignificant.

As of December 31, 2023 and 2022, the aging analysis per class of financial assets were past due is as follows:

2023

		Past due but not impaired			
	Neither past due nor impaired	**Less than 30 days**	**31 to 60 days**	**More than 60 days**	**Total**
Cash and cash equivalents*	**₱9,803,101,023**	**₱–**	**₱–**	**₱–**	**₱9,803,101,023**
Subscriptions receivable	**1,319,056**	**–**	**–**	**–**	**1,319,056**
Due from related parties	**2,368,216,814**	**–**	**–**	**–**	**2,368,216,814**
Bonds**	**15,552,038**	**–**	**–**	**–**	**15,552,038**
	₱12,188,188,931	**₱–**	**₱–**	**₱–**	**₱12,188,188,931**

**Excluded cash on hand*

***Included in other current assets*

2022

		Past due but not impaired			
	Neither past due nor impaired	Less than 30 days	31 to 60 days	More than 60 days	Total
Cash and cash equivalents*	₱20,275,735	₱–	₱–	₱–	₱20,275,735
Subscriptions receivable	651,115,661	–	–	–	651,115,661
Due from related parties	2,424,447,563	–	–	–	2,424,447,563
Bonds**	15,552,038	–	–	–	15,552,038
	₱3,111,390,997	₱–	₱–	₱–	₱3,111,390,997

**Excluded cash on hand*

***Included in the other current assets account*

Liquidity risk

Liquidity risk is the risk that the Parent Company will not be able to meet its financial obligations as they fall due. The Parent Company's objectives to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking adverse effect to the Parent Company's credit standing.

The Parent Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility. As part of its liquidity risk management, the Parent Company regularly evaluates its projected and actual cash flows.

The tables below show the maturity profile as of December 31, 2023 and 2022 of the Parent Company's financial assets used for liquidity purposes based on contractual undiscounted cash flows, and financial liabilities based on contractual undiscounted payments:

	2023				
	On Demand	**< 1 Year**	**1 to 5 Years**	**More than 5 Years**	**Total**
			(In Thousand Pesos)		
Financial assets at amortized cost:					
Cash and cash equivalents[1]	**₱9,803,101**	**₱–**	**₱–**	**₱–**	**₱9,803,101**
Subscriptions receivable	**1,319**	**–**	**–**	**–**	**1,319**
Due from related parties	**2,368,217**	**–**	**–**	**–**	**2,368,217**
Bonds	**15,552**	**–**	**–**	**–**	**15,552**
	₱12,188,189	**₱–**	**₱–**	**₱–**	**₱12,188,189**
(Forward)					
Financial liabilities at amortized cost:					
Accounts payable	**₱27,269**	**₱–**	**₱–**	**₱–**	**₱27,269**
Accrued expenses	**21,385**	**–**	**–**	**–**	**21,385**
Due to a related party	**129,833**	**–**	**–**	**–**	**129,833**
Lease liabilities[2]	**–**	**9,940**	**82,815**	**520,821**	**613,576**
	₱178,487	**₱9,940**	**₱82,815**	**₱520,821**	**₱792,063**

[1]*Excluding cash on hand*
[2]*Includes future interest payments*

	December 31, 2022				
	On Demand	< 1 Year	1 to 5 Years	More than 5 Years	Total
			(In Thousand Pesos)		
Financial assets at amortized cost:					
Cash and cash equivalents[1]	₱20,276	₱–	₱–	₱–	₱20,276
Subscriptions receivable	651,116	–	–	–	651,116
Due from related parties	2,424,448	–	–	–	2,424,448
Bonds	15,552	–	–	–	15,552
	₱3,111,392	₱–	₱–	₱–	₱3,111,392
Financial liabilities at amortized cost:					
Accounts payable	₱15,039	₱–	₱–	₱–	₱15,039
Accrued expenses	2,436	–	–	–	2,436
Due to a related party	22,770	–	–	–	22,770
Lease liabilities[2]	4,539	4,539	101,981	567,270	678,329
	₱44,784	₱4,539	₱101,981	₱567,270	₱718,574

[1]*Excluding cash on hand*
[2]*Includes future interest payments*

Fair Value and Category of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash and cash equivalents (excluding cash on hand), subscriptions receivable, due from related parties, bonds (included under other current assets), accounts payable and other liabilities (excluding government payables) and due to a related party

The carrying amounts of these financial instruments approximate their fair values due to their short-term maturities.

Lease liabilities

The fair values for the Parent Company's lease liabilities are estimated using the discounted cash flow methodology adjusted for credit risk (Level 3 of the fair value hierarchy). The discount rates used are 7.06% to 9.35% and 8.59% as at December 31, 2023 and 2022, respectively. The fair value of the lease liabilities amounted to ₱261.7 million and ₱233.1 million as of December 31, 2023 and

2022 respectively, while the carrying value of the lease liabilities amounted to ₱291.0 million and ₱303.1 million as of December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022, the fair value of lease liabilities are measured using Level 3 valuation technique, and there were no transfers into and out of Level 3 fair value measurements.

Capital Management
The Parent Company manages its capital structure and makes adjustments to it, in light of changes in business and economic conditions. To maintain or adjust the capital structure, the Parent Company may issue new shares. No significant changes have been made in the objectives, policies and processes of the Group for the year ended December 31, 2023 and for the six-month period ended December 31, 2022.

The Parent Company considers the following as its core capital:

	2023	2022
Capital stock	**₱3,437,305,000**	₱1,000,000,000
Additional paid-in capital	**5,713,764,409**	4,938,722,430
Deficit	**(261,603,554)**	(121,718,325)
	₱8,889,465,855	₱5,817,004,105

As of December 31, 2023 and 2022, the Parent Company was able to meet its capital management objectives.

17. Basic/Diluted Loss Per Share

The basic/diluted loss per share amounts were computed as follows:

	2023 (One Year)	2022 (Six Months)
(a) Net loss attributable to equity holders of the Parent Company	**₱104,993,864**	₱36,002,217
(b) Weighted average number of common shares outstanding	**24,217,612,500**	9,374,783,335
Basic/diluted loss per share (a/b)	**₱0.0043**	₱0.0038

The Parent Company does not have any dilutive potential common shares as at December 31, 2023 and 2022.

18. Significant Laws

Renewable Energy Act of 2008
On January 30, 2009, Republic Act No. 9513, An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes, otherwise known as the "Renewable Energy Act of 2008" (the "Act"), became effective.

The Act aims to:

a) accelerate the exploration and development of renewable energy resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems, to achieve energy self-reliance, through the adoption of sustainable energy development strategies to reduce the country's dependence on fossil fuels and thereby minimize the country's exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy;

b) increase the utilization of renewable energy by institutionalizing the development of national and local capabilities in the use of renewable energy systems, and promoting its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives;

c) encourage the development and utilization of renewable energy resources as tools to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and environment; and

d) establish the necessary infrastructure and mechanism to carry out mandates specified in the Act and other laws.

As provided in the Act, RE developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the DOE, in consultation with the Board of Investments ("BOI"), shall be entitled to the following incentives, among others:

i. Income Tax Holiday ("ITH") - For the first seven (7) years of its commercial operations, the duly registered RE developer shall be exempt from income taxes levied by the National Government;

ii. Duty-free Importation of RE Machinery, Equipment and Materials - Within the first ten (10) years upon issuance of a certification of an RE developer, the importation of machinery and equipment, and materials and parts thereof, including control and communication equipment, shall not be subject to tariff duties;

iii. Special Realty Tax Rates on Equipment and Machinery - Any law to the contrary notwithstanding, realty and other taxes on civil works, equipment, machinery, and other improvements of a registered RE developer actually and exclusively used for RE facilities shall not exceed one and a half percent (1.5%) of their original cost less accumulated normal depreciation or net book value;

iv. NOLCO - the NOLCO of the RE developer during the first three (3) years from the start of commercial operation which had not been previously offset as deduction from gross income shall be carried over as deduction from gross income for the next seven (7) consecutive taxable years immediately following the year of such loss;

v. Corporate Tax Rate - After seven (7) years of ITH, all RE developers shall pay a corporate tax of ten percent (10%) on its net taxable income as defined in the National Internal Revenue Code of 1997, as amended by Republic Act No. 9337;

vi. Accelerated Depreciation - If, and only if, an RE project fails to receive an ITH before full operation, it may apply for accelerated depreciation in its tax books and be taxed based on such;

vii. Zero Percent VAT Rate - The sale of fuel or power generated from renewable sources of energy, the purchase of local goods, properties and services needed for the development, construction and installation of the plant facilities, as well as the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent (0%) VAT;

viii. Cash Incentive of RE Developers for Missionary Electrification - An RE developer, established after the effectivity of the Act, shall be entitled to a cash generation-based incentive per kilowatt-hour rate generated, equivalent to fifty percent (50%) of the universal charge for power needed to service missionary areas where it operates the same;

ix. Tax Exemption of Carbon Credits - All proceeds from the sale of carbon emission credits shall be exempt from any and all taxes; and

x. Tax Credit on Domestic Capital Equipment and Services - A tax credit equivalent to one hundred percent (100%) of the value of the VAT and custom duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to an RE operating contract holder who purchases machinery, equipment, materials, and parts from a domestic manufacturer for purposes set forth in the Act. RE developers and local manufacturers, fabricators and suppliers of locally produced RE equipment shall register with the DOE, through the Renewable Energy Management Bureau ("REMB"). Upon registration, a certification shall be issued to each RE developer and local manufacturer, fabricator and supplier of locally-produced renewable energy equipment to serve as the basis of their entitlement to the incentives provided for in the Act. All certifications required to qualify RE developers to avail of the incentives provided for under the Act shall be issued by the DOE through the REMB.

Department Circular No. 2022-11-0034

In November 2022, the DOE issued Department Circular No. 2022-11-0034 which amends the Implementing Rules and Regulations of the Act. The amendment removes the nationality requirement imposed on the business engaged in the exploration, development, and utilization of solar, wind, hydropower and ocean energy, thereby allowing the entry of foreign capital into the country's renewable energy industry.

19. Changes in Liabilities Arising From Financing Activities

December 31, 2023

	December 31, 2022	**Cash flows**	**Others**	**December 31, 2023**
Due to a related party	₱22,770,229	₱361,103,072	(254,040,000)	₱129,833,301
Lease liabilities	303,138,420	(14,647,543)	2,519,072	291,009,949
Total liabilities from financing activities	**₱325,908,649**	**₱346,455,529**	**(251,520,928)**	**₱420,843,250**

December 31, 2022

	July 1, 2022	Cash flows	Others	December 31, 2022
Due to a related party	₱22,792,348	₱–	(₱22,119)	₱22,770,229
Lease liabilities	293,878,848	–	9,259,572	303,138,420
Total liabilities from financing activities	₱316,671,196	₱–	₱9,237,453	₱325,908,649

20. **Contracts and Commitments**

Change in Allocation of IPO Proceeds
On December 20, 2021, the BOD of the Parent Company approved the following:

a) Pending the use of IPO proceeds for future land acquisitions and capital expenditures, effective by January 19, 2022, to allow the Parent Company to allocate such IPO proceeds towards bid bonds, bid security, and other expenses for potential off-take agreements, to enable the Parent Company to be responsive to contracting opportunities as soon as they arise, in support of the Parent Company's strategy to pursue off-take on an opportunistic basis.

b) The authority to transact with financial institutions to secure bid bonds and bid security for the projects of the Parent Company.
c) Subject to applicable law, rules and regulations to be clarified, the incorporation and funding of wholly-owned subsidiaries to hold the IPO's use of proceeds and to receive instructions from the Parent Company for the use of such proceeds.
d) The authority to file and submit all compliance, disclosures and any other reportorial requirements of the Parent Company to the relevant regulatory agencies and the PSE.
e) Other ancillary powers and authorities necessary and proper for the execution of the above approvals.

On February 14, 2022, the BOD of the Parent Company approved the acquisition of land in support of the Parent Company's plan to develop ten (10) gigawatt of solar projects, to be funded from proceeds of a rights offering and the proceeds from its IPO, as available, and the delegation of authority to the Parent Company's President or his authorized representative to determine the location, particular parcels and terms for such land, and authority to execute contracts for this purpose.

On April 6, 2022, the BOD of the Parent Company approved the authorization to allocate IPO proceeds to advance funding for pursuing off-take agreements and developing projects for Terra Renewables Holdings, Inc. ("TRHI") and its associated developments to SP Holdings, given that SP Holdings is a shareholder in TRHI and that SP Holdings is to be a subsidiary by the Parent Company, provided this would only be from the excess of the amount needed by Phase 1A of the NE 2 Project and would form part of the expansion of the Parent Company's projects.

Renewable Power Supply Agreement with Angeles Electric Corporation ("AEC")
On February 7, 2022, the Parent Company secured a 10-year Offtake Agreement with AEC, a distribution utility in Pampanga Province, under which the Parent Company will supply AEC 97.8 MWh daily, representing a portion of the NE 2 Project's capacity to supply energy once completed. The Offtake Agreement awarded is for a term of ten (10) years commencing on March 26, 2023, or upon ERC approval, whichever comes later.

On January 23, 2023, the Parent Company and AEC jointly filed the PSA with the ERC. As of April 12, 2024, the Parent Company and AEC are still awaiting approval from the ERC.

The Parent Company provided a performance bond in relation to the project amounting to ₱15.0 million valid until August 10, 2024.

As of December 31, 2023 and 2022, performance bond amounted to ₱15.0 million was presented as part of "Bonds" under "Other current assets" in the parent company statements of financial position (see Note 5).

Green Energy Auction Program ("GEAP")
On June 24, 2022, the Parent Company was awarded as one of the winning bidders by the DOE on its First Green Energy Auction Round. The Parent Company will supply the electricity from the 280MW$_{dc}$ NE 2 Project. The winning bids under the GEAP, which are expected to commence operations between 2023 and 2025, will be awarded 20-year power supply agreements. In 2022, the Parent Company submitted a surety bond as one of the requirements for the bidding process. Also, the Parent Company submitted a performance bond amounting to ₱2,765.8 million valid until August 1, 2024.

Total premiums paid by the Parent Company were ₱5.0 million and ₱5.1 million in 2023 and 2022, respectively. The unamortized portion of the premium included as prepaid premium amounted to ₱3.0 million as of December 31, 2023 and 2022, respectively.

Memorandum of Agreements ("MOA") between SP Project Holdings, Prime Infra and Prime Metro
On February 9, 2023, the BOD of SPNEC approved the MOAs between SP Project Holdings, Prime Infra and Prime Metro for their joint ventures in TSPI, Solar Tanauan Corporation ("Solar Tanauan"), and SP Tarlac. The MOAs cover the following:

a. Amendments to the Shareholders' Agreement of TSPI between SP Project Holdings and Prime Infra to streamline the decision-making process and reach agreements efficiently and commercially via deadlock resolution mechanisms. On this basis, the parties agreed to continue their joint venture in TSPI. TSPI has signed a 850 MW$_{ac}$ Mid-Merit PSA with Meralco with a scheduled delivery date by the first quarter of 2026, and plans to break ground within 2023.

b. Sale of common shares in Solar Tanauan by SP Project Holdings to Prime Infra for ₱1.0 billion upon execution of the agreements, which would result in Prime Infra owning 100% of Solar Tanauan (with the proceeds of this sale going to SPNEC after the share swap, subject to regulatory approval). Solar Tanauan has a PSA with Meralco for 50 MW$_{ac}$, has secured over 140 hectares of land, and is currently under construction.

c. Redemption or purchase of preferred shares in SP Tarlac of Prime Infra by SP Tarlac or SP Project Holdings for ₱1.5 billion plus accrued dividends on or before March 31 2024, which, with additional equity, would result in SP Project Holdings (or SPNEC after the share swap) owning 100% of SP Tarlac. SP Tarlac has a PSA with Meralco for 85 MW$_{ac}$, has secured over 140 hectares of land, and currently has 100 MW operating and 50 MW under construction.

Terms of the MOAs applied to SPNEC upon the completion of its share swap with SP Project Holdings.

Deed of Assignment between SP Project Holdings *and SPNEC*
On May 16, 2023, a Deed of Assignment was entered between the Parent Company, as the assignee, and SP Project Holdings, as the assignor, whereby the latter assigned all its rights and obligations under the February 9, 2023 MOA with SP Project Holdings, Prime Infra, Prime Metro and SP Tarlac, including but not limited to SP Project Holdings' right to purchase Prime Metro's preferred shares in SP Tarlac on or before March 31 2024.

21. Supplementary Information Required Under Revenue Regulation (RR) No. 15-2010

The Parent Company reported and accrued/paid the following types of taxes in 2023:

VAT
The Parent Company's sales are subject to output VAT while its purchases of goods and services from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12%.

a. Taxable receipts and output VAT for 2023 amounted to ₱446,429 and ₱53,571, respectively.

b. The amount of input VAT claimed is broken down as follows:

Balance as of January 1	₱126,640,015
Domestic purchase of services	8,531,355
Total	135,171,370
Application against output VAT	(53,571)
Balance as of December 31	₱135,117,799

Taxes and Licenses

SEC regulatory fees	₱8,001,000
Real property tax	2,461,976
Payment to other government agencies	1,294,917
Titling fees	1,185,928
Listing fees	1,130,548
Local business tax and related fees	70,687
Local taxes on non-life insurance policy	54,590
BIR annual registration fees	500
Other permit and fees	2,034,898
Total	₱16,235,044

Documentary Stamp Taxes

Transfer of shares	₱52,604,195
Intercompany advances	2,250,000
Non-life insurance policy	1,257,504
Loose documentary stamps	9,145
Total	₱56,120,844

Withholding Taxes

In 2023, the Parent Company withheld tax on income payments amounting to ₱9.5 million.

Tax Assessments

On July 27, 2023, the Parent Company received a letter of authority from the BIR Assessment Division of RR No. 8A - Makati City to examine the Parent Company's books of accounts and other accounting records for all internal revenue taxes for the period from July 1, 2021 to June 30, 2022. On December 1, 2023, the Parent Company received the notice of discrepancy in which the Parent Company was assessed with deficiency taxes totaling to ₱9,008,841. On December 21, 2023, the Parent Company has paid the deficiency taxes to the BIR.

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**INDEPENDENT AUDITOR'S REPORT
ON THE SCHEDULE OF RECONCILIATION
OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION**

The Stockholders and the Board of Directors
SP New Energy Corporation
20th Floor AIA Tower
8767 Paseo de Roxas
Makati City

We have audited in accordance with Philippine Standards on Auditing, the parent company financial statements of SP New Energy Corporation (the "Parent Company") as at December 31, 2023 and 2022, and have issued our report thereon dated April 12, 2024. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Parent Company's management. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code ("SRC") Rule 68, and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jhoanna Feliza C. Go
Partner
CPA Certificate No. 0114122
Tax Identification No. 219-674-288
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-103-2022, November 7, 2022, valid until November 6, 2025
PTR No. 10079942, January 5, 2024, Makati City

April 12, 2024

SP New Energy Corporation
(A Subsidiary of MGen Renewable Energy, Inc.)

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2023

Deficit, January 1, 2023		(₱121,718,325)
Add: Deferred tax assets		(10,201,126)
Deficit, January 1, 2023, as adjusted		(131,919,451)
Net loss during the year closed to deficit	(₱104,993,864)	
Less: Non-actual/unrealized income (net of tax)		
Benefit from income tax - deferred	910,119	
Net loss actual/realized during the year		(104,083,745)
TOTAL DEFICIT, December 31, 2023		(₱236,003,196)